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ABSTRACT

As policymakers have begun reorienting the U.S. work force development system's priorities, a common theme has been the importance of work and training tied to real employment prospects. Workforce Innovation Networks (WINs) was created to test and advance the idea that local employer organizations can play important, productive roles in helping low-wage and less-skilled workers advance in the labor market. Competition and changes in work organization have reduced the on-the-job training that traditionally enabled low-skill workers to advance in larger companies. To better respond to labor market pressures, employers have begun turning to their industry-based and broad-based local employer organizations for support and assistance. The WINs initiative's experience with employer organizations has identified the following basic types of work force development activity that can serve member needs and help advance low-income workers in the labor market: convening and supporting employers; brokering and providing services to employers and workers; improving the delivery of education, training, and support services; conducting research and development of work force development strategies and products; and helping govern and improve the work force development system. Four key challenges facing employer organizations were identified along with policy approaches that can stimulate greater business/employer engagement in work force development. (MN)

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Everybody WINs

Effectively Involving Business In Workforce Development

THE FIRST IN A SERIES OF POLICY PAPERS

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A Report by Jobs for the Future for Workforce Innovation Networks—WINs

JUNE 2001

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In 1997, Jobs for the Future, the Center for Workforce Preparation of the U.S. Chamber of Commerce, and the Center for Workforce Success of the National Association of Manufacturers launched a multi-year effort to address the workforce development needs of businesses and communities. WINs tests the proposition that employer organizations can play an intermediary role in achieving a dual goal: improve the economic prospects of disadvantaged job-seekers and workers *and* meet the needs of their member firms for employees at the entry-level and above. WINs works with a set of local employer organizations across the country that are on the cutting-edge of workforce development.

To order additional copies of *Everybody WINs*, contact Jobs for the Future, Publications, 88 Broad Street, 8th floor, Boston, MA 02110, (617)728-4446; fax: (617)728-4857, info@jff.org, www.jff.org.

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PART I

Introduction

The way the United States thinks about its publicly funded workforce system has begun to change. After decades of largely disappointing results from publicly funded programs designed to help disadvantaged individuals improve their employment and earnings, policymakers have taken a hard look at the weaknesses of past efforts. As they have begun reorienting the system's priorities, a common theme has been the importance of work and training tied to real employment prospects. Another is the need to bring employers into the center of the workforce system: they provide the jobs, and without their active engagement the quality and quantity of placements and of advancement opportunities will continue to be a serious obstacle to the economic progress of low-skill individuals.

As policymakers have begun reorienting the system's priorities, a common theme has been the importance of work and training tied to real employment prospects.

The growing emphasis on employers as customers of the workforce system is evident in the 1998 Workforce Investment Act, with its introduction of performance measures that track employer satisfaction and emphasize job retention and its alignment with the "work first" approach of the welfare reforms in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act. This represents a major shift from the three major workforce development laws that preceded WIA in the past 40 years, beginning with the Manpower Development and Training Act of 1962, the Comprehensive Employment and Training Act of 1973, and the Job Training Partnership Act of 1982. While these successive workforce development programs differed in their emphases, federal policy has focused primarily on enabling lower-income individuals to rise out of poverty through employment; employers and their needs were secondary concerns.

The pace of change, although gradual and incremental, has been steady, fueled by the combination of a decade of tight labor markets with state and federal policy changes. In this environment, employers have become more willing to engage the public system—and the publicly funded system has become more open to responding to employer demand for qualified workers as the best way to serve the harder-to-employ.

As employer labor demands became more acute across the country in the 1990s, employers looked for help wherever they could find it—from

WINs was created to test and advance the idea that local employer organizations can play important, productive roles in helping low-wage and less-skilled workers advance in the labor market.

staffing firms, public agencies, for profit and not-for-profit training organizations, community colleges, and more. In a break with the past, many employers turned to their own national, state, and local organizations for help around workforce needs. In response to growing interest among their members, some chambers of commerce, trade associations, and other member-funded employer organizations have sought new and creative ways to help employers address workforce challenges and labor needs. These organizations have provided a range of services to their members and helped negotiate improved relations between employers and publicly funded workforce organizations.

For the past three years, the Center for Workforce Preparation of the U.S. Chamber of Commerce, the Center for Workforce Success of the National Association of Manufacturers, and Jobs for the Future have undertaken an initiative to support and promote the efforts of employer organizations in this arena. They created Workforce Innovation Networks—WINs—to test and advance the idea that local employer organizations can play important, productive roles in helping low-wage and less-skilled workers advance in the labor market by simultaneously:

- Helping employers better meet their workforce needs, particularly in this time of tight labor markets; and
- Helping low-wage workers connect to jobs and employment-related opportunities that can help them advance toward better-paying, family-supporting jobs.

WINs has worked closely with eight local affiliates of the U.S. Chamber of Commerce and the National Association of Manufacturers, and it has also conducted research on several other employer organizations that are experimenting with new workforce roles and activities. The partners have been encouraged by the creativity, commitment, and progress that some of these organizations have made during the past three years. In the next phase of this initiative, the partners will focus on: deepening the work of exemplary affiliates in order to strengthen measurable outcomes; and expanding the number of affiliates acting as intermediaries to undertake workforce development efforts.

It is clear from the efforts of these entrepreneurial employer organizations that their potential impact and success are not solely within their control.

Public policies at the federal and state levels can—and do—play an important role in the ability of local employer organizations to serve members' needs effectively—and to assume higher-impact roles in the evolving public-private workforce system.

This report is about public policy. It is about how existing workforce development and welfare policies create obstacles to more aggressive and expansive roles for employer organizations in activities that can benefit low-income individuals—and it is about policy innovations that can help overcome some of those barriers. It assesses employer interest in, involvement with, and challenges they face working with the publicly funded workforce development system.[1]

Meeting the challenge of advancing low-income individuals into family sustaining jobs and careers requires that employers be central players within the publicly funded workforce system. WINs has clearly demonstrated that effectively engaging employers in that system is a substantial challenge —but one that can be significantly eased by working through employers' membership organizations. Yet even the most active involvement of employer organizations cannot overcome the challenge to employer engagement posed by narrowly targeted and largely inflexible workforce development programs. The underlying spirit of this report is to balance the need to focus limited public resources on those most in need of workforce services with employers' need for a more universal and flexible workforce system.

[1] The publicly funded workforce development system encompasses the employment and training and welfare systems funded with public resources. Public funding does not imply any presumption about service delivery.

PART II:

The Economic and Policy Context: Why Employer Organizations Pursue New Workforce Development Roles

The past decade has been characterized by tight labor markets, concerns about a growing skills gap, and the emergence of work-centered social policies at the state and federal levels. These trends have prompted employers, advocates for low-income individuals, and public-sector officials to seek new workforce investment strategies that can serve employers *and* low-income workers more effectively than past strategies.

Employer organizations around the country have heard clearly from their members that a quality workforce is one of their most pressing challenges. In 2000, 82 percent of the largest chambers of commerce reported that workforce and education issues were their members' number one priority (U.S. Chamber of Commerce 2000). In response, many employer organizations have experimented with new ways to serve member needs around recruitment, hiring, training, and post-employment support for retention and job advancement.

Tight labor markets

One of the most pressing challenges facing employers has been finding and keeping qualified workers. This has been particularly true for small and mid-sized firms in industries such as manufacturing, health, financial services, and information technology. For example, the Information Technology Association of America reported that half of the 1.6 million IT jobs expected to be created in 2001 would go unfilled because of a lack of qualified workers (ITAA 2000). In a National Association of Manufacturers survey of its member firms, approximately 90 percent reported difficulty finding qualified candidates in at least one job function (NAM 2000). Over the next 15 years, this situation will continue or worsen as some 40 million workers retire or become eligible for retirement (U.S. Chamber of Commerce 2000).

In a tight labor market, the costs of poor job matches are higher than in periods when replacement workers are more readily available. Employers

have had to absorb costs of skill remediation, retraining, and long and repeated searches for qualified workers. In this environment, many employers who have traditionally shied away from engaging with the publicly funded workforce development system have become more open to innovative approaches that involve public-private partnerships.

Rising skill demands

While economists debate the speed with which skill demands are rising, there is no question that employers expect more, and more varied, skills from their employees, from the entry level up. Employers have come to expect more varied competencies from employees, as well as the ability to learn new tasks and adapt to changing job requirements (Moss and Tilly 1996; Holzer 1996). In this labor market, the earning power of workers with only a high school diploma or less has seriously eroded, as the supply of low skill jobs has shrunk relative to the size of the low-skill labor pool (Employment Policy Foundation 2000).

It is becoming more difficult to move up into middle-class jobs with only entry-level skills. Career ladders that formerly enabled people to advance from entry-level to higher-skill and better-paying jobs have become more truncated and more difficult to climb due to the rising level of skills required in many jobs that were once natural rungs out of entry-level work. Competition and changes in work organization have reduced the on-the-job training that traditionally enabled low-skill workers to advance in larger companies.

Competition and changes in work organization have reduced the on-the-job training that traditionally enabled low-skill workers to advance in larger companies.

The demand for higher levels of skill is a major contributing factor to the employment and earnings problems facing millions of less-skilled workers in the country today. At the same time, it exacerbates employers' difficulties finding qualified workers.

Work-centered social policies

In the past decade, workforce and welfare policies have undergone a dramatic shift at the federal and state levels. Driven by welfare reforms that emphasize rapid attachment to employment and cash benefits tied to work, public policy targeted to helping poor people has begun to pay closer attention to employer needs and interests in the labor market. Both the Personal Responsibility and Work Opportunity Reconciliation Act and

the Workforce Investment Act enacted two years later place a premium on work, individual initiative, and personal responsibility. For either of these major pieces of legislation to succeed will require far greater engagement of and responsiveness to employers; the public system must be able to match low-skill workers with jobs in demand in local and regional labor markets *and* help employers address obstacles to steady employment and the advancement of workers with limited skills and work experience.

To better respond to labor market pressures, employers have begun turning to their industry- and broad-based local employer organizations for support and assistance.

New opportunities for employer organizations

These economic and policy trends have made employers far more receptive to new strategies for improving the alignment between sources of potential employees and their demand for qualified workers. They have prompted employer organizations to experiment with a range of strategies for helping their members—particularly small and mid-sized companies—achieve their labor market goals by collaborating with private, public, and non-profit entities. Industry consortia, participation in governance of local workforce systems, and sectoral initiatives led by community colleges, trade associations, or other groups—these are a few of the new partnerships and approaches that employers have pursued (Evans and Kazis 2000).

To better respond to labor market pressures, employers have begun turning to their industry- and broad-based local employer organizations for support and assistance. A significant number of these organizations have seized upon this opportunity to organize and provide value to their members by helping them address their labor market needs.

Through most of the twentieth century, workforce development was not a major priority of employer organizations; for the most part, this remains the case today. Anti-trust legislation and rulings made employer associations wary of playing too direct a role in building cooperation on issues related to pricing or production processes. Moreover, through most of the century, labor gluts, not shortages, predominated. Members did not rate recruitment, hiring, turnover, or training as high priorities for their associations. Members were more interested in initiatives to reduce tax burdens, address regulatory issues, expand product markets, and reduce the costs to individual employers of insurance and other services.

Yet employer organizations have characteristics that make them well-suited to help employers address workforce needs. They tend to:

- Have access to small and medium-sized employers who typically are inadequately staffed to act aggressively to meet complex labor market needs;
- Understand business needs and have the ability to translate those needs into language and initiatives that focus on bottom-line results for employers; and
- Enjoy a high degree of trust from members, a form of political capital that comes from engaging with many of the same employers over time.

The public policy challenge is to leverage these unique advantages of employer organizations into strategies that advance the skills of low-income workers and the employment opportunities available to them.

A growing number of employer organizations have begun to enter the workforce arena. In the past decade, both the National Association of Manufacturers and the U.S. Chamber of Commerce have established centers devoted to helping local affiliates address workforce quality issues more effectively. Increasing numbers of local chambers and other fee-based, membership organizations representing employer interests are taking steps to respond to members' workforce concerns.

Since 1997, Jobs for the Future has worked with the U.S. Chamber, the National Association of Manufacturers, and eight of their local affiliates to promote and support expanded roles for employer organizations in workforce development that can help advance low-income workers. To date, this project has suggested lessons about the possibilities of, obstacles to, and preconditions for successful employer organization efforts in this area (see McGahey, Levin, and Heald 2000). Building upon these lessons from local practice and national support, this report proposes a policy agenda designed to encourage more, and more effective, involvement of employer organizations as workforce intermediaries that can help low-income workers advance and succeed while meeting the workforce needs of member employers.

To inform this report, Jobs for the Future conducted research on local employer organizations that have made a commitment to helping their members address workforce needs. Focused on questions about how public policy can encourage and support their efforts, the research included:

- A survey of 37 state and local affiliates of the National Association of Manufacturers and the U.S. Chamber of Commerce, all of which were actively engaged in workforce development;[2] and
- Interviews with 13 organizations, some of which also responded to the survey.

Building upon the experience of WINs, its partners, and—most important—employer organizations that have embarked on new roles related to workforce development, this report proposes policy strategies that can strengthen employer organization efforts in addressing two public policy goals: helping employers meet their workforce needs *and* simultaneously helping low-income individuals enter and advance in today's challenging economy.

The remainder of this report is organized into two main sections:

Part III examines the various roles employer organizations have begun to play in local workforce development systems; and

Part IV discusses the most significant obstacles to expansion of this activity—and the public policies that can accelerate and strengthen effective employer association involvement in workforce development to meet the labor and human resource needs of their members and promote the economic advancement of low-income workers.

[2] Over two-thirds of the affiliates responding had fewer than 100 employees.

PART III

Employer Organizations Explore New Roles

Employer organizations can play a variety of roles in helping their members address workforce needs. These roles range from targeted efforts that help particular employers identify and train workers for specific positions to systemic initiatives to improve the publicly funded workforce development system.

The WINs initiative's experience with employer organizations has identified five basic types of workforce development activity that can serve both member needs and help advance low-income workers in the labor market:

- Convening and supporting employers;
- Brokering and providing services to employers and workers;
- Improving the delivery of education, training, and support services;
- Conducting research and development of workforce development strategies and products; and
- Helping govern and improve the workforce development system.

There is no single "right" or appropriate role for employer organizations, and many organizations are involved in multi-faceted efforts. Various factors shape organizations' decisions about what roles, if any, they choose to play in helping members meet their workforce needs. These include local history, organizational traditions, employer demand, internal capacity and competencies, and relationships with education and training service providers. Knowledge of successful innovations undertaken by similar organizations can shape the decision to enter the workforce field—and to pursue a particular course. So can the preferences of the organization's board and staff leadership.

One thing is clear, though: when employer organizations take on a new, member-oriented set of activities, they tend to do so intentionally and with seriousness of purpose. An impressive 82 percent of the organizations Jobs for the Future surveyed had dedicated one or more staff members to their

Memphis Area Chamber of Commerce

Memphis, Tennessee

In 1995, the City of Memphis asked the Memphis Area Chamber of Commerce to take the lead in pulling together local workforce and economic development efforts. The chamber and the city's Office of Planning and Development convened over 100 businesses to discuss methods for connecting business interests with workforce development. The result, Memphis 2005, is a $15 million, 10-year economic development plan for the Memphis/Shelby County Metropolitan Statistical Area.

Workforce development is one of the four critical goals of Memphis 2005. The project aims to create and sustain an educated and skilled labor force providing an environment in which Memphis organizations will be globally competitive and provide family sustaining jobs.

Through its work as the principal sponsoring organization for Memphis 2005, the chamber also created *The Partnership–Preparing a Regional Workforce*. Through the partnership, the chamber has recruited about 380 employers—mostly small and medium-sized businesses—to join discussions about workforce development. Organized around a strategy that targets seven industries in the region, the partnership offers industry-specific elective courses within career clusters at local high schools and community colleges.

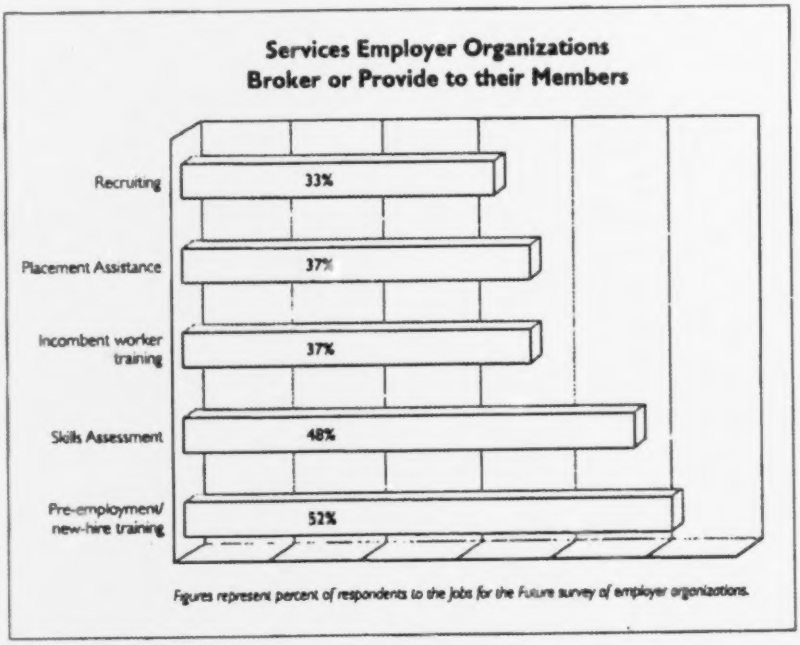
workforce development efforts. Almost two out of three had created a separate, nonprofit affiliate to coordinate workforce development activities.

Convening and Supporting Employers

A logical and common role for employer organizations around workforce development needs is informing and convening members to learn about and discuss workforce trends, challenges, and solutions. Employer organizations often begin by building awareness—"raising consciousness"—among their member employers regarding labor market trends, publicly funded workforce development opportunities, and the resources that can help firms meet their needs for qualified labor.

As membership organizations with a broad employer constituency, employer organizations are well positioned to convene and organize large numbers of employers around a workforce development agenda and program. One of their important assets lies in their close connections to a membership base comprised mostly of small and medium-sized employers. Through their convening and supporting roles, employer organizations can also serve as important links in strengthening the functioning of a workforce development system that has traditionally lacked an efficient way to reach and interact with large numbers of employers.

See "Memphis Area Chamber of Commerce," this page.



Brokering and Providing Services

A number of employer organizations facilitate the relationships and connections needed to link their members with appropriate training and education services for new or current workers. Others provide those services to members directly. Among the survey sample, the more common services provided or brokered include: pre-employment/new-hire training (52 percent), skills assessment (48 percent), incumbent employee training (37 percent), placement assistance (37 percent), and recruiting (33 percent).

See "Greater el Paso Chamber of Commerce," this page.

Improving Delivery of Education Training and Supportive Services

Another intermediary activity of employer organizations is communicating employer skill needs to education and training providers. By aggregating employer training needs and representing these to education and training providers, employer organizations can save money for their members and the training providers, as well as open up new markets for education and training providers seeking to connect with low-income and other employees.

For example, employer organizations can establish or create standards to meet those needs, and they can design curricula and encourage professional development to train practitioners in new training methodologies. By so doing, employer organizations can better align the services provided through local education and training systems with the needs of employers. Employer organizations can also help education and training providers adapt their delivery methods to meet employer and employee needs—for example, by making use of flexible scheduling, adult-oriented teaching methods, and technology.

See "Connecticut Business and Industry Association," page 12.

Conducting Research and Development

Some employer organizations are "incubators" for developing, testing, and implementing innovative workforce development policies and programs—from conducting research on the local labor market to developing and testing new programmatic initiatives. The WINs Research and Development group, which consists of eight local employer organizations, helped identify and design workforce development products that employer organizations

Greater El Paso Chamber of Commerce

El Paso, Texas

The El Paso Chamber of Commerce has a history of involvement in workforce development at the local, state, and federal levels. In July 2000, the chamber assumed responsibility for managing El Paso Works, the city's One Stop training and services center. In so doing, the chamber facilitated the collaboration and co-location of multiple public and private workforce development agencies, including the chamber's own workforce division, a business resource center, and a $45 million, U.S. Department of Labor program that provides training and employment assistance to workers displaced by trade agreements (e.g., NAFTA). Other chamber activities have involved:

- Providing customized training programs to companies moving to the area;
- Referring workers to local employers with job openings;
- Helping employers secure funding for workforce development activities; and
- Providing employers with information on available workforce development resources and opportunities.

Connecticut Business and Industry Association

Hartford, Connecticut

An affiliate of the National Association of Manufacturers, the Connecticut Business and Industry Association is the state's largest business association, with over 8,500 member companies employing more than 700,000 workers, or half the state workforce. Over the years, CBIA has been involved in several areas of education and training, such as setting industry job standards, organizing incumbent worker training, and developing school-to-career programs.

In 1994, the state Department of Education asked CBIA to develop materials identifying the skills Connecticut employers want from secondary and postsecondary school graduates in eight broad fields: arts and media; business and finance; construction technologies and design; the environment, natural resources, and agriculture; government, education, and human services; health and biosciences; retail, tourism, recreation, and entrepreneurial fields; and manufacturing, communications, and repair technologies.

CBIA influenced statewide educational practice by identifying and forecasting the academic, employability, and technical skill standards employers needed in each of these fields. CBIA also developed materials—designed for students, parents, and education professionals—that highlight areas of expected job growth and the corresponding expected skill standards required for entry-level workers between 1995 and 2000. CBIA recently updated its industry skills standards for years 2000 through 2005.

could utilize and that contribute to low-income worker advancement. In the coming year, employer organizations will test two of these products, the *Skills Supply Chain Guide (Career Ladders)*, and the "Return On Investment Tool."

See "San Francisco Works," page 15.

Helping to Govern and Improve the Workforce Development System

The Workforce Investment Act and recent welfare-to-work policies call for heightened employer involvement in workforce training. Employer organizations are well suited the play a governance role in workforce systems: they often convene their members for similar intervention on other public issues, such as education, economic development, and infrastructure development.

Many employer organizations have played strong roles in structuring or focusing the work of newly created workforce policy bodies, recommending representatives for or being represented on these entities, and advocating legislative or regulatory changes to improve demand-led, workforce development outcomes. Of the individuals surveyed by Jobs for the Future, 44 percent reported that they serve on a state or local Workforce Investment Board. Two-thirds had participated in the appointment of members to these bodies, and 85 percent reported advocating for stronger employer involvement in workforce development at the state and local levels. Nearly 60 percent reported advocating for specific changes in workforce development legislation.

See "Rochester Resource Alliance," page 16.

PART IV

Challenges Facing Employer Organizations—and Policy Approaches that Can Stimulate Greater Engagement

Part III identified a broad range of roles that employer organizations can and do play in relation to workforce development. The experience base is still limited, though, and it is difficult to draw definitive conclusions about where employer organizations should target their energies. Nevertheless, the efforts of leading employer organizations highlight several challenges these groups must overcome if they are to address their members' workforce needs while meeting the needs of low-income individuals in the labor force.

Perhaps the most basic challenge for employer organizations is gaining the interest and commitment of employers to engage with the publicly funded workforce development system.

Based on the experience of WINs sites and responses to our survey and interviews, Jobs for the Future has identified three significant challenges:

- Engaging the interest and commitment of employers by overcoming barriers created by public funding systems;
- Addressing the needs of hard-to-employ job seekers and low-income employees while still serving employer needs; and
- Determining the most appropriate and valuable roles for employer organizations within the local workforce development system.

Engaging Employers

The Challenge

Perhaps the most basic challenge for employer organizations is gaining the interest and commitment of employers to engage with the publicly funded workforce development system. This sounds paradoxical. Employers across the country rank workforce quality and development among their highest priorities and concerns. Why would it be difficult to engage them to collaborate with their associations to address workforce needs?

The answer is employers' lack of knowledge of, history with, or skepticism of the public system. In interviews with representatives of employer organizations engaged in this activity, the outline of a common story emerges.

Many employers have little or no direct experience interacting with the publicly funded workforce system. "Our experience is that our members don't know of the existence of the workforce system," noted one respondent. Another explained, "Our members are generally unaware of opportunities that could help them because of the public system's lack of connection with the business community."

The publicly funded employment and training system has historically been focused on helping low-income workers, less-educated workers, dislocated workers, and other populations of disadvantaged individuals find their way into, or back into, the labor market. This "supply-side" focus was too frequently divorced from the other side of the coin, employer demand for qualified workers. Worker preparation has focused on building the skills of job entrants, with little input from employers and little attention to how a person might use newly acquired skills in a real workplace. The system has rarely treated employers as important customers, other than asking them to serve on advisory boards, special task forces, or commissions.

The most common complaint from employers about the publicly funded system for finding employees and for training potential and existing workers is its inflexibility—the "politics" and Byzantine rules that govern it.

If lack of employer knowledge of opportunities were the only problem, the job of engaging employers would be relatively easy. Unfortunately, there is a second obstacle to engaging employers in workforce activities that involve publicly funded programs and initiatives. Because of the system's historical lack of focus on employers as customers, many employers who have participated with the public system have negative views of their experience and the value of such investment—and therefore resist engaging with it again.

Jobs for the Future's survey of employer organizations that are actively working with the public employment and training system—and that want to make it more effective for their members—provides telling evidence of this skepticism. Fewer than half the employer organizations surveyed felt that their state and local Workforce Investment Boards engaged the local employer community in meaningful ways. While respondents gave somewhat higher marks to the public system for its ability to recruit candidates with the right skills (62 percent), they were less satisfied with the ability of the system to do smart strategic planning (56 percent) or help with the training of current employees (36 percent). Most telling is the fact that only half the respondents said they would recommend their local One Stop Center as a valuable resource for employers.

Given that these respondents are among the relatively small group of employer groups that feel they have the ability to influence the public system, these data are sobering. The level of dissatisfaction and skepticism they reflect is a serious obstacle to expanded efforts by employer organizations. If their members are resistant, the organization will be hesitant. And without the active support of members, no association can move aggressively into intermediary roles within the local workforce development system.

There are indications that the new Workforce Investment Act, with its explicit commitment to making employers a customer of the publicly funded system, is beginning to change perceptions among employers and their organizations. Among the organizations we surveyed, almost half said they were members of the local Workforce Investment Board (WIB), about twice as many as had been active in the Private Industry Council governance structure that preceded the WIB. And these respondents almost unanimously noted that they plan to continue working with their local WIBs to influence workforce development policy.

Employer participation in governing publicly funded workforce systems will inevitably help the system treat employers as primary customers. However, moving beyond governance to active use of the system is perhaps even more challenging. If this is the case, what specific problems do employers identify most frequently as they engage with the publicly funded workforce system?

The most common complaint from employers about the publicly funded system for finding employees and for training potential and existing workers is its inflexibility —the "politics" and Byzantine rules that govern it. Employers and their organizations recognize the need to balance flexibility in spending with accountability for the use of public funds. And they understand that the goal of accountability typically brings with it rules and regulations to safeguard the public trust. However, employers and their organizations are almost unanimous in the opinion that most public sources of workforce development funding come with too many restrictions, rules, and programmatic targeting to be useful to employers. Employer organization members often view the publicly funded workforce development system as an insiders' game: resources flow to those entities that best know and work the system, rather than those that best serve the needs of individuals and employers.

San Francisco Works
San Francisco, California

San Francisco Works, a nonprofit collaboration of the San Francisco Chamber of Commerce, the United Way of the Bay Area, and the Committee on Jobs, a coalition of the city's 35 largest businesses, was created in 1997 to coordinate the involvement of the business community in welfare-to-work efforts. SF Works has two main goals: 1) to create job training programs tied to real workforce needs, with participation by employers; and 2) to provide welfare recipients with access to jobs at wages high enough to leave welfare.

By emphasizing intensive, employer-based training in specific job-related skills, San Francisco Works has helped develop training programs in such fields as health care, legal services, financial services, insurance services, and automotive repair. For example, in collaboration with employers, SF Works helped design a customized curriculum to train welfare recipients for entry-level jobs at law firms. The resulting Legal Employment Action Program includes six weeks of classroom training, two weeks of paid work experience, and a nine-month employment commitment from one of sixteen participating law firms.

SF Works has been so successful as an incubator for job training initiatives that the Department of Human Services now provides it with direct funding for a number of efforts.

Rochester Resource Alliance

Rochester, New York

The Workforce Investment Act combines the once-separate service delivery areas of Monroe County and the City of Rochester. In planning for the transition to the new structure, the Greater Rochester Area Chamber of Commerce and the Industrial Management Council (an affiliate of the National Association of Manufacturers) worked together to bring the business community into the forefront of local workforce development activities. The two organizations created the Rochester Resource Alliance, a nonprofit organization that coordinates the previously distinct city and county workforce development areas.

The Rochester Resource Alliance has been instrumental in forging tighter connections between the city and county systems. Both systems have designated it to administer the workforce investment funds targeted for Monroe County, and it serves as the administrative arm for the Workforce Investment Board.

Through a six-member board made up of senior-level, private-sector representatives (including the WIB chair), the alliance performs all staff functions for the WIB. It receives and reviews all funding proposals, makes recommendations for action, coordinates the work of various committees and subcommittees, and recommends business appointments to the board.

Employers will use the public system if it is easy to navigate, provides consistent quality, and is cost-competitive with other options. If not, they show little loyalty to the publicly funded system and typically have other choices in the labor market. For example, they can turn to temporary help and staffing firms. Also, they can use vendors and proprietary schools for training or tap community college resources.

The current tight labor market creates an opening for the public system because employers are looking for new service providers with more urgency than usual. Yet even in this labor market, employers and their organizations would like to see less complexity and more flexibility in publicly funded workforce programming, and the public system *is* rigid and bureaucratic. Respondents to Jobs for the Future's survey noted a number of specific barriers that limited their interest in and ability to use public workforce dollars. These included:

- Too much paperwork;
- Too many exhausting turf battles stemming from fragmented control of resources across agencies;
- Cumbersome or too-frequent reporting requirements;
- Inflexible program scheduling; and
- Restrictions against entry-level incumbent workers.

The narrow targeting of public funds to particular population groups, which, even as it meets important policy goals, creates eligibility restrictions that vex employer associations and employers and require creative patchworks of multiple funding to meet actual workforce needs.

One community-employer organization partnership that specializes in training entry-level employees for the precision-machining industry encountered a series of program funding obstacles when creating an industry-sponsored training organization under the Job Training Partnership Act. To meet industry skill requirements and manage the curriculum's technical nature, the program required an eighth-grade reading and math competency. Although students entering the program were unemployed or employed in low-wage jobs, fewer than 20 percent qualified under JTPA income guidelines. For those who did qualify, the local Private Industry Council provided a maximum of $3,200 for training program costs; to

meet actual industry skill requirements, though, the actual per-student program cost was over $9,000. Ultimately, the program cobbled together a patchwork of funding drawn from a line item in the state budget, Community Development Block Grant funds, foundation grants, and industry contributions, and it continues to restructure its funding every year.

The funding cycles and constraints facing public sources of workforce development funds are frequently problematic for employers who have immediate hiring or training needs. One survey respondent, who had a public contract for training low-skill workers, recounted what happened when two employers approached his organization about training entry-level workers for new jobs. To respond to this immediate need, the organization would have had to increase class size in its existing training program by 20 percent and alter the training program's content. When he contacted the public agency funding the program about the opportunity, he was told to wait for the next funding cycle. The respondent said his organization can respond to employer needs quickly only by using private-sector dollars to close gaps in public-sector funding cycles.

Substantial increases in the involvement of employers and their organizations in workforce development activities will occur only when the publicly funded workforce development system adopts "dual customer" program and system designs that treat employers and job seekers as equals.

Solution: Treat the Employer as a Valued Customer

Substantial increases in the involvement of employers and their organizations in workforce development activities will occur only when the publicly funded workforce development system adopts "dual customer" program and system designs that treat employers and job seekers as equals. Employers will use a publicly funded workforce development system that provides them with a clear point of entry, matches skills training with real job requirements, emphasizes competition to encourage quality services, coordinates and packages funding streams, and delivers reliable and appropriately skilled employees when they are needed. Such a workforce development system will ultimately benefit low-income individuals as well: they will be integrated into private-sector labor markets that can provide greater opportunity for long-term retention and advancement.

Holyoke One Stop Career Centers: An example from Massachusetts illustrates how a publicly funded workforce system can use provider competition, program consolidation, and outcome evaluations as tools to attract employer participation. Massachusetts was one of the first states to place more emphasis on demand-led strategies as central to reforming welfare and workforce development systems.

In 1988, the MassJobs Council—comprised of private-sector representatives—was created to link workforce and economic development by mobilizing the private sector and integrating the employment service delivery system. During the mid-nineties, the MassJobs Council and the state received a $11.6 million grant from the U.S. Department of Labor to implement a statewide One Stop Career Center system.

In 1988, the MassJobs Council—comprised of private-sector representatives—was created to link workforce and economic development by mobilizing the private sector and integrating the employment service delivery system.

A year earlier, the Holyoke Chamber of Commerce and the City of Holyoke had formed the Holyoke Employment Partnership to ensure an adequate supply of qualified employees for the local economy. The City of Holyoke and the Chamber embraced the One Stop opportunity and invited additional institutions to the table as key partners in their efforts. They formed key alliances with area community colleges, public schools, and state agencies. A Memorandum of Understanding was crafted between the Mayor of Holyoke and mayors in surrounding communities to provide for an ongoing forum to meet and discuss regional workforce and economic development issues. Employment and training services were centralized to provide for One Stop access. Agencies and organizations providing services to disadvantaged individuals had to compete against one another and demonstrate they had the capacity to find workers jobs.

Today, strong efforts continue to be made to ensure that Holyoke's One Stops operate like businesses and that the culture is professional and in keeping with a business environment. Job seekers and employers are treated as equal customers. The One Stop Centers frequently conduct customer satisfaction surveys with employers. And they have met employer needs so well that, over the years, they have leveraged additional funding through contracts with employers for specialized work.

The Private Industry Partnership: In New York City, the experience of Wildcat Service Corporation also demonstrates how employers enthusiastically participate in a publicly funded workforce development initiative that reflects a dual-customer approach. Wildcat Service Corporation is a nonprofit social service agency that provides training and job-placement assistance; its primary clients are New York City welfare recipients and former convicts. Wildcat serves approximately 5,000 clients annually, of whom about 60 percent receive public assistance.

In 1995, Wildcat started the Private Industry Partnership, an experiment in reversing the typical sequence of most publicly funded training programs,

which provide clients with skills training first, followed by job placement services. Instead, the PIP first locates companies needing to fill particular jobs, then trains clients specifically to employers' standards. The PIP's first program focused on well-paying, entry-level jobs in the brokerage side of the financial services industry. Since then, it has expanded into the media and advertising industries, legal and professional business services, and the teller segment of the banking industry.

Since 1995, Wildcat has placed 85 percent of the PIP and teller program graduates in jobs. The early results for the bank teller program show a twelve-month retention rate of 95 percent. The retention rate for Salomon Smith Barney (the financial service program's first and largest single employer) and the other PIP employers is 92 percent after four years.

Solution: Greater Public Sector Flexibility and Cohesiveness

Changes initiated under the Workforce Investment Act have begun to encourage greater employer involvement in workforce development, largely through governance requirements. However, WIA, like its predecessors, is still largely designed around the individual and his or her income and employment status. Much remains to be done to promote greater and more employer-responsive flexibility and cohesiveness in the use of public workforce system resources.

WIA offers states the opportunity to begin leveraging and knitting together the many disparate public sources of training and support service dollars into a more seamless funding pipeline.

Perhaps most important, WIA offers states the opportunity to begin leveraging and knitting together the many disparate public sources of training and support service dollars into a more seamless funding pipeline. Taking advantage of that opportunity to maximize the efficient use of available resources is critical. Several specific steps could help move the Workforce Investment Act and its infrastructure closer to a "dual customer" approach:

The states should target discretionary WIA dollars at employer-led workforce training initiatives or employer-CBO partnerships that can demonstrate how public training resources can be linked to specific employer skill and workforce requirements.

Whenever possible, Workforce Investment Boards and One Stop Centers should maximize the flexibility of program resources to address significant, industry-identified, regional labor and skill shortages on a timely basis. WIA training funds should begin to look more like the very flexible and

successful customized incumbent worker training programs being piloted by states.

States should maximize their use of surplus TANF funds and integrate them into a more seamless workforce training system that targets a wider range of trainees and employer-led initiatives.

In addition to these reforms to the publicly funded workforce system, states should consider strengthening their dual-customer workforce training efforts by initiating or expanding the growing number of successful incumbent worker training programs, many of which are funded out of state unemployment insurance diversion or tax receipts.

Respondents to Jobs for the Future's survey identified customized training and incumbent worker training funds as two of the most effective programs for meeting their needs. This is not surprising: customized entry-level and incumbent worker training are quite flexible sources of funding. Incumbent worker training funds provide matching grants to employers who seek to upgrade the skills of their existing workforce. These programs, which are focused on employers and their specific workforce and skills needs, have successfully engaged employers on a scale unknown in other publicly funded workforce training efforts.

Employers participate in the design of these state initiatives and typically can secure funding for high-priority workforce development initiatives. Paperwork is typically modest. As part of a state's economic development arsenal, rather than primarily a poverty-alleviation program, these state funds are generally quite employer-responsive.

While the programs generally do not include strict employee means testing and are very flexible from an employers' perspective, they can still help lower-wage and lower-skill individuals advance. These funds (or some significant proportion of them) can be targeted to entry-level workers, and employers can be asked to document job promotions and related pay increases in return for future funding.

The California Employment and Training Panel is an employer-focused training fund that strongly emphasizes performance accountability and requires trainees to be retained for at least 90 days after training before the employer will be reimbursed for allowable training costs. The largest portion of the fund targets the training of individuals by companies facing out-of-

state competition and potential layoffs. It emphasizes training for frontline workers and strictly limits training for managers and supervisors. The Employment and Training Panel is the first such program funded through state Unemployment Insurance funds.

North Carolina's New and Expanding Industry Program is an employer-focused training program, funded through state general revenues, in which the state's community colleges are the sole deliverers of customized training for companies and their employees. Training is provided free to companies expanding or moving to North Carolina. The funds are largely geared towards manufacturers, require companies to create new jobs, and focus primarily on new employees.

Addressing the Needs of Hard-to-Employ Workers

The Challenge

Public employment and training dollars have traditionally targeted low-skilled workers seeking employment and training that can strengthen their attachment to and success in the labor market. This policy is especially important when internal career ladders from entry-level jobs are scarce. The challenge for the publicly funded system is to serve a harder-to-employ population without alienating the employers whose jobs are critical for their ultimate success in advancing out of poverty. How can the system target populations in need in ways that also meet employers' very real and immediate needs?

Through its policies and procedures, the publicly funded system must balance targeting populations in need with building a more universal system of workforce services—and it must do so with resources woefully inadequate to the task at hand.

Through its policies and procedures, the publicly funded system must balance targeting populations in need with building a more universal system of workforce services —and it must do so with resources woefully inadequate to the task at hand. Unless viable strategies can be developed and diffused across the country, employer organizations will have a difficult time seriously engaging their members with the publicly funded system. Employers face higher costs and risks when hiring, training, and upgrading the skills of low-skill, low-income workers, many of whom have little or poor work histories. Employers often pay a heavy financial and productivity price when they hire less-skilled workers or invest in the development of these workers' skills, because it is difficult to know in advance who will succeed on the job and who will stay long enough to justify the investment. In addition, such workers frequently require special support services: over 40 percent of

the employer organizations surveyed indicated a need for additional post-employment supports, such as assistance with childcare and transportation.

Unfortunately, there are too few examples of well-administered, high-performing programs that satisfy employer needs, despite strong employer demand for workers to fill jobs at the low end of the skills and wage ladder. Nearly half the employer organizations surveyed indicated that effective models for serving low-wage, low-skill workers are among the tools they need to encourage more employers to engage in publicly funded workforce development.

Solution: Reduce Risks of Hiring and Training the Hard-to Employ

The publicly funded workforce development system needs to move beyond its limited job-matching and training approach to begin addressing the advancement of entry-level workers.

Employers often take on risks and additional expenses when they hire less-skilled workers, which can increase turnover and require support services and significant levels of training. With increased intermediary capacity, employer organizations can help reduce the costs and risks associated with training and hiring low-skill workers by aggregating employer demand and negotiating more directly with training and support service providers and One-Stop organizations.

Publicly funded workforce systems could undertake several reforms that might help address the higher costs and risks associated with hiring, retaining, and promoting low-skill, low-income individuals:

The publicly funded workforce development system needs to move beyond its limited job-matching and training approach to begin addressing the advancement of entry-level workers. Training resources should target skills upgrading for low-wage, entry-level workers placed through the WIA system but who are having a hard time advancing from the bottom of the labor market. By targeting such individuals, the publicly funded workforce development system will also better meet the needs of employers who have difficulty filling higher-skill positions. Good jobs at higher pay often require extensive training that goes beyond the current scope and available resources of most WIA systems.

States should take better advantage of surplus TANF funds to provide necessary post-employment support services, income enhancements, and training for entry-level, low-wage workers.

States should consider tax credits for employers who train entry-level workers and can demonstrate clear skills upgrading, promotions, and pay increases.

Publicly funded workforce systems should target resources for building a high-quality group of workforce services suppliers and intermediaries who can reduce the transaction costs for businesses hiring, retaining, and promoting low-income individuals. State and local governments should consider using discretionary WIA funds, surplus TANF funds, and other flexible funding streams to seed efforts by innovative intermediaries, both for profit and nonprofit, including employer organizations that can assemble a wide array of public training resources, support services, and income supports, and then package these into easy-to-access, "turnkey" employment solutions for businesses.

Partnerships should be promoted between employer organizations and effective local community organizations, including community colleges and nonprofit community-based agencies, in order to integrate post-employment support services with training that can lead to skills development and career advancement. Such partnerships can also help bridge culture gaps between employers and community-based organizations and provide important opportunities for employers and employer organizations to engage in targeted pilot efforts that reflect actual workforce requirements. Such partnerships could encourage employer organizations as well as CBOs to be more strategic in the roles they play by focusing on their competencies and allowing each partner to do what it does best. States should consider providing financial incentives that encourage these partnerships, either through targeted tax credits to employers or matching grants that can help defray the cost of such post-employment services.

Determining Appropriate Roles Within the Workforce System

The Challenge

The involvement of employer organizations in workforce development is fairly recent, and many of the organizations expanding their efforts in this area have little experience or prior perspective to draw upon. They use their best judgment and intuition in trying to respond to their members, often coupled with advice from national bodies and reports from the field on their peers' successes and efforts.

Employer organizations must make strategic investment decisions in an environment that many are only beginning to understand.

This is a period of creative experimentation and learning. In this moment, one of the biggest challenges facing many employer organizations is having sufficient knowledge to make sound decisions about which roles to play in the community and where best to target their initiatives and limited resources. What workforce-related activities should they undertake themselves? Where is their greatest value-added likely to be, and where should they encourage other partners to step up? Employer organizations must distinguish among opportunities for which they have the expertise, funding, leadership, and commitment required to provide a service themselves and those opportunities in which strategic partnerships with other organizations in the community would better serve the interests of both employers and workers. They must make strategic investment decisions in an environment that many are only beginning to understand.

Among WINs sites, employer organizations have varied in their choices about whether to provide direct service, to broker services between employers and education and training providers, or to confine their efforts to convening employers and/or building political support for effective services. Employer organizations are constantly challenged to determine how they can add the most value to local workforce development systems and avoid duplication.

These decisions are typically informed by an organization's core competencies, its leadership and staff capacity, and the gaps in services provided by the local institutions that help employers find qualified workers. In one WINs community, the chamber of commerce decided to take over operation of the local One Stop, a decision it later reversed after helping the center get off the ground. In others communities, the emphasis has gone to more traditional activities, such as lobbying, providing educational programs, and convening employers.

There are no easy answers. Faced with varied options and limited knowledge of which investments are likely to have the greatest or most cost-effective impacts, some organizations shy away from making *any* investment in workforce activities. Others start down one road, only to reconsider and change priorities later. A clearer understanding of options, the experience of other organizations, and the costs and benefits of different strategies could reduce one of the barriers to employer organization involvement in addressing members' workforce needs.

Solution: Promote Experimentation and Learning by Employer Organizations

WINs has demonstrated numerous examples of the successful engagement of employer organizations in workforce development for low-income individuals. These employer organizations have acted to assess member needs and aggregate employer workforce demand, improve education and training tied to employer needs, and broker workforce development services for members. *The public policy challenge is to expand, support, deepen—and learn from—those employer organization practices that most effectively promote the advancement of low-income workers in the labor market.*

In this period of high interest but limited experience, demonstration projects that promote experimentation and learning among employer organizations about effective strategies are a wise public investment. Federal and state workforce development systems can target resources to helping employer organizations (and other forms of intermediary organizations) increase their capacity to be active and strategic contributors to local workforce development efforts.

The federal government has created several opportunities for demonstration projects that can stimulate employer organization engagement. New provisions of the H-1B Technical Skill Training Grant Program and the Regional Skills Alliances under the U.S. Department of Labor could be included in other DOL workforce training demonstrations: both emphasize employer organization involvement and could provide employer organizations with capacity-building resources. A new demonstration program should be considered that specifically targets employer organizations seeking to engage in skills upgrading and job advancement for low-income individuals; it would be jointly run by the Department of Labor and the Department Health and Human Services.

Several states have created matching grant funds to encourage the creation of innovative employer networks in particular industries and sectors. Washington, for example, supports "Skills Gap Panels" that bring together key industry leaders as well as training providers to closely analyze industry skill gaps and develop targeted programs to fill those gaps. The Massachusetts "Networks" program provides matching funds to industry associations and networks of employers in targeted industries to develop joint skills training projects and related sectoral initiatives. Such funds could target

A new demonstration program should be considered that specifically targets employer organizations seeking to engage in skills upgrading and job advancement for low-income individuals.

Because of limited public resources, funds targeted at employer organizations might require them to demonstrate a baseline capacity level and commitment to workforce development.

employer networks seeking to act as workforce intermediaries that address serious skill shortages.

Because of limited public resources, funds targeted at employer organizations might require them to demonstrate a baseline capacity level and commitment to workforce development, such as having dedicated, senior-level management staff, a workforce development component to their annual or strategic business plan, or a standing workforce development committee that reaches across their organization and meets regularly.

In addition, any demonstration programs should include sufficient resources to:

- Ensure learning from the diverse efforts being funded;
- Provide technical assistance and peer learning opportunities that accelerate effective implementation; and
- Disseminate successful practices and lessons learned to networks of employer organizations, trade associations, and other private and public-sector groups working with employers around meeting their workforce needs.

Furthermore, to encourage the participation of smaller employers, who are often unable to participate in such initiatives, demonstration program resources should allow substantial flexibility in employer match requirements.

PART V

Conclusion

Throughout its history, the nation's publicly funded workforce development system has had largely disappointing results in helping low-income individuals increase their employment and earnings. While many factors have led to disappointing results, a key factor has been its traditionally weak link with the employers who are the system's ultimate customers.

The central operating principle of Workforce Innovation Networks is that only by engaging employers who have job opportunities and workforce development needs in the publicly funded workforce development system will that system provide significant family-supporting employment, skills development, and career advancement opportunities for low-income workers. To engage employers in the publicly funded workforce development system, employers' own membership organizations have a critical role to play in promoting, brokering, and managing that engagement successfully and efficiently.

The traditional focus of the publicly funded workforce development system has been low-income individuals and their need to gain skills and find employment, not the ultimate employer of those individuals. As a result, a system of highly targeted and restrictive resources has yielded an unintended consequence: a mismatch between the outputs of the public system and the real-time needs of a dynamic and highly competitive private labor market.

The research undertaken for this report clearly demonstrates a strong interest on the part of employers and their employer organizations in altering this mismatch and creating a system that can both meet employer requirements for an excellent workforce while simultaneously meeting the needs of low-income individuals. Supporting the efforts and initiatives of employer organizations participating in WINs and other similar efforts will require creative public policies that recognize the potential "win-win" between the needs and opportunities of employers and low-income individuals.

Research clearly demonstrates a strong interest on the part of employers and their employer organizations in creating a system that can both meet employer requirements for an excellent workforce while simultaneously meeting the needs of low-income individuals.

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